

Inscription Canyon Water Company
Board of Directors Meeting
February 8th, 2022
Hilton Downtown Prescott/Teleconference
DRAFT Minutes

Company personnel Present:

Giles Howard – Treasurer
Randy Joly – Secretary
Mike Hubbard - VP Operations
Dan Cancelleri – Director
Cheryl Ibbotson – Business Office
Pat Carpenter – Aquality Water
Derek Scott – Aquality Water

Members Present:

Mark Arnold

Board Proceedings:

10:05am – Mark Armstrong called the meeting to order.

Roll call was taken of the Board of directors and quorum was established.

Mark Armstrong made a motion to approve the draft minutes of the previous board meeting conducted on November 30th 2021. Motion was seconded by Giles Howard and passed unanimously.

The board welcomed the attending member and those on the teleconference.

December Election Results:

The business office and the third party counters and witnesses reported that there were 476 ballots cast. This represents approximately a 54% participation rate. This is lower than the last 2 elections. This equates to over 300 eligible votes not being cast.

The board presented the results of the election held in December. The three candidates with the highest vote counts were:

1. Mark Armstrong
2. Giles Howard
3. Randy Joly

The board thanked all candidates and members that took the time to vote.

Mike Hubbard made a motion to accept the election results and seat the new board members. The motion was seconded by Dan Cancelleri and passed unanimously.

Nomination of officers:

The board agreed to the following officer assignments for the 2022 board of ICWC:

President – Mark Armstrong

VP Operations – Mike Hubbard

Treasurer – Giles Howard

Secretary – Randy Joly

Director – Dan Cancelleri

Mark Armstrong made a motion to create a sub-committee of the board of directors for special projects. This is permitted under the company bylaws. This will facilitate members outside of the board of directors participating in company work. It would also allow other members to gain familiarity with the systems and processes. The motion was seconded by Randy Joly and passed unanimously.

The tasks to be available to members of this committee and the solicitation of volunteers will occur over the next couple of months.

Treasurer's Report:

Giles Howard presented the year end financial statements and reiterated that all financial statements are available at www.ICWC.info.

He also stated that although the year end results show a loss (containing depreciation), that cash flow was positive for the period ending 12/31/21.

Giles Howard also confirmed that revenue was on plan for the year, although overall expenses exceeded plan by approximately 5%. Much of this was due to a large variance in repair costs due to some expensive equipment failures. He also pointed out that legal expenses were under plan by 93%.

Mr. Howard also stated that good progress had been made on a true monthly operating budget for 2022. It will be on the website when the board adopts it.

Operations Report:

Mike Hubbard reviewed the pumping summary year over year. The total amount of water pumped in 2021 vs 2020 was basically identical, although residential consumption rose by 7.5% (new homes) and the Golf course used 15% less due to the active monsoon.

Mr. Hubbard also stated that the Q4 numbers for the golf course were derived from pump meters rather than the meter at the entrance to the lakes due to a meter failure in October. The board had previously authorized a replacement of this meter as it was irreparable. He pointed out that this was the only meter that wasn't replaced in 2018.

Mark Armstrong informed the attendees that there were currently 165 new homes in some stage of construction or approvals in the district served by ICWC. He also pointed out that the company had on-boarded over 100 new users in the last year. He informed the meeting that approvals had been issued to developers to build 2 more phases in TRR and that phases 6, 7 and 11 in Whispering Canyon were out for bids. It would appear that we will have over 1000 connections by the end of 2022.

Mike Hubbard reviewed the three major repair costs from 2021. The largest of which was a main line rupture in TRR. The repair cost was in excess of \$30K. Other unplanned (contingency) expenses included the meter replacement mentioned previously, and a replacement of the ICR well pump.

Mike Hubbard and Giles Howard gave a brief review of planned capital expenditures for the year, which included maintenance on the ICR tanks, ventilation for chemical storage area and concrete repairs on valve stems.

New Business:

Delivery systems engineering review:

Mike Hubbard and Dan Cancelleri confirmed that the bidding process resulted in the contract for this three-phase project being awarded to Civil Tec Engineering. The information gathering and site visit have been completed and the analysis work is underway. The deliverables from these efforts are:

1. Resiliency recommendations
2. System and operations documentation (digital)
3. Maintenance and spare parts recommendations

Electric Power Usage Reduction:

Dan Cancelleri described the addition of electronic measurement for power consumption at each location in the delivery systems. This was accomplished using software from an APS partner and is now in place throughout the ICWC systems. He explained that the data gathered thus far has shown

significant opportunities for reduction of power costs by the alteration of some scheduled events and with the use of variable speed motors on pumps.

Variable speed drives have been added in the most obvious areas already, and several more are being ordered. He explained that the cost of these improvements is being heavily subsidized through an APS rebate program. It is thought that by this time next year, our power consumption and billing will be lower by double digit percentage. He stated that more information will be forthcoming as the balance of the variable drives are installed.

TRR water source development:

Randy Joly explained the dialog that he and Mark Armstrong have had with Symmetry regarding the need for an additional water source to support future TRR growth. It is clearly understood that the onus is on Symmetry to develop the new water source at their cost. Randy also explained that the water provision agreement that ICWC has with the golf course gives residences priority over the golf course in the event of a pumping capacity limit.

Symmetry has also stated that they may investigate developing the well and not connecting it to ICWC, but operating it themselves for the golf course alone. This would have both advantages and disadvantages for ICWC, but we have stated that we would support whatever approach they chose.

Because the result of this pending decision has a significant effect on the ICWC financial structure, the ACC rate case that was planned for this year has been put on hold.

Mark Armstrong explained that all of the work done to date in identifying and providing backup for all infrastructure expenses since 2006 is complete and will not be wasted. We expect a decision from Symmetry before the end of the year.

Members questions and comments:

There were no questions or comments from the teleconference.

Mark Arnold (Whispering Canyon) inquired about the land on the west side of Williamson Valley road that TRR had options on. Randy Joly replied that those options had expired without exercise and that the land had reverted back to the original owner.

Mark Arnold also inquired about the number of new lots being developed in TRR and Whispering Canyon in addition to the approximately 165 that are currently under construction. Mark Armstrong replied that the 2 new phases in TRR that have just commenced clearing, and phases 6 and 11 in Whispering canyon were currently platted for approximately 130 additional lots.

Mark Arnold also inquired about the possible affect on residential rates should the golf course cease being a customer. Mark Armstrong explained that the previous board had paid a consultant to estimate the rate requirements for ACC non-profit compliance. The estimates were such that status quo would require approximately a 14% rate increase and if the golf course were to become independent, that residential rates would need to increase by approximately 22%.

There were no more questions. Mark Armstrong reminded all those in attendance that periodically visiting the ICWC website was the best way to keep up to date on all activities and decisions associated with the operation of the company. He then made a motion to adjourn the meeting. It was seconded by Giles Howard and the meeting was adjourned at 10:50am

Please note that the presentation given at the BOD meeting accompanies these minutes.